



INVESTORS PERCEPTION TOWARDS DETERMINANTS OF INVESTMENT DECISION: A GENDER BASED STUDY

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ABSTRACT

Various studies found that female investors are risk averse and take their decision rationally as compared to male. The objective of this study was to analyze the difference among gender with respect to various factors influencing investment decisions of investors and how these factors are related to the gender characteristics. The study covers the perception 102 individual investors to obtain information with respect gender through a self design structured questionnaire. Independent t-test were employed to test the significant difference between male and female investors with respect to eleven factors obtained from extensive literature review i.e. economic environment, behavioural factors, leading economic indicators, return, risk, social and ethical factors, financial expectation, psychological factors, mental calculation, information, future oriented objectives. The study found that the gender of investors statistically and significantly influenced the investment decisions of investors

KEYWORDS: Investors, Investment Decision, Gender, Risk.

INTRODUCTION

Investment is the sacrifice of certain present value for the uncertain future reward, investment decision is a tradeoff between risk and return (Bhalla, 2011). In general, an investor always tries to maximize his or her return and minimize their risk. Many factors affect their investment decision such as demographic factor, knowledge level, awareness, experience etc. Demographic factors gender, income level, age, education, family size have significant impact on investment decision making process, especially in Indian context

It is a common belief that females are more risk averse compared to men in their investment decisions. But now scenario is changing in most of the decision making of males & females, it may be because of awareness regarding investment avenues, increasing literacy level, no differences in job opportunity etc.

Previous literature has shown that gender has significant impact investors' decisions, since men and women indicate different economic behavior. It was observed that men have more knowledge in financial matters (Lusardi and Mitchell (2006/2007a)), they are more risk tolerant (Jianakoplos and Bernasek (1998); Charness and Gneezy (2007)), more confident (Barber and Odean (2001)) and more competitive Gneezy, Niederle and Rustichini (2003); Gneezy and Rustichini (2004)) compared to women. It was seen that male investors generally spend more time and money to do their own analysis in securities, depend less on brokers, and trade more than do female investors (Lewellen, Lease, and Schlarbaum, 1977). By trading more, male investors earn returns less than those of female investors.

It is essential for a researcher to carefully understand and analyze the impact of gender on psychology of an investor's investment decision in current scenario. An attempt has been made in presented paper.

LITERATURE REVIEW

Jagongo and Mutswenje (2014) identified the factors influencing investment decisions which revealed that the most important factors were firms position and performance; Investment returns and economic conditions; Diversification and loss minimization; Third party opinion; The goodwill of the firm and accounting information; Perception towards the firm; Environmental factors; Firms feeling and Risk minimization. Gabhane and Kishor (2013) found the preferences of investment alternatives and analyzed the significance of demographic factors on the factors that influence the investor's decision towards making investments. They identified that demographic factors have significant relationship with the factors influencing investor's decision and insignificant in others too. They also found that bank fixed deposit and life insurance is the preferred investment avenue followed by gold/silver, real estate, mutual fund and others. Bashir et.al. (2013) identified the factors that influences the individual investor behavior. Their study results that all the variables are somewhat affecting the decision making behavior of investor and accounting information category of variables is most influencing while advocate recommendation is the least influencing category. Obamuyi (2013) identified the factors that influence the investment decisions of an investor in Capital Market of Nigeria and found out that the most important principal factors are past performance of the company stock, expected stock split/capital increases/bonus, dividend policy, expected corporate earnings and get-rich-quick. Sultana et. al. (2012) found out the factors influencing Indian individual Equity Investors' Decision Making and Behavior were Individual Eccentric, Wealth Maximization, Risk Minimization, Brand Perception, Social

Responsibility, Financial Expectation, Accounting information, Government & Media, Economic Expectation and Advocate recommendation factors which influence the most. Qureshi and Rehman (2012) studied the relationship among behavioral factors (Heuristics, Risk Aversion, Financial Tools, and Firm-level corporate governance) and Investment decision making. Alleyne and Broome (2010) studied the factors influencing investment decisions of potential customers and found that the theory of planned behaviour was a significant predictor of investment intentions. Kabra et. al. (2010) studied factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. The study concludes that investors' age and gender predominantly decides the risk taking capacity of investors. Somil (2007) studied the factors affecting the investment decision in residential development and identified, prioritized and categorized factors affecting the decision to invest in a residential property of different income groups.

Objective of the Study

To study the investor's perception towards factors affecting investment decision with reference to gender

RESEARCH METHODOLOGY

The study is Exploratory in nature and aim of the study is to determine the perception of male and female investors on factors which influence investment decisions of investors. Convenience Sampling is done by taking responses from regular investors. The target groups chosen for the study were the investor, who regularly invests. The questionnaire was filled by 120 individual investors, out of which 102 investors have responded and found eligible. The response rate was 85% percent. The study follows the survey research methodology as it is primary data based. Based on previous research in related areas, a self designed questionnaire was developed to study investors' perception with respect to eleven identified factors. The investors were asked to rate the 66 attributes having 10 identified factors using Likert five-point scale. 5- Strongly Agree to 1- Strongly Disagree. Independent t-test was employed to test significance difference between male and female investors. Means and Standard deviation were also employed to test various statistical inferences. The identified determinants of investment decisions (Phatak et al. 2016) were considered to study the investor's perception, namely Economic Environment Factors, Behavioural Factors, Leading Economic Factors, Return, Risk, Social and Ethical Factors, Financial Expectation, Psychological Factors, Information, Future Oriented Objective. Ten hypotheses were set to test statistical significant difference among male and female investor. Each of these ten factors was tested individually on male & female investors.

Hypotheses

- H₁:** There is no significant difference between male and female for "Economic Environment Factors" as a factor affecting investment decision
- H₂:** There is no significant difference between male and female for "Behavioural Factors" as a factor affecting investment decision
- H₃:** There is no significant difference between male and female for "Leading Economic Factors" as a factor affecting investment decision
- H₄:** There is no significant difference between male and female for "RETURN" as a factor affecting investment decision

H₅: There is no significant difference between male and female for "Risk" as a factor affecting investment decision

H₆: There is no significant difference between male and female for "Social and Ethical Factors" as a factor affecting investment decision

H₇: There is no significant difference between male and female for "Financial Expectation" as a factor affecting investment decision

H₈: There is no significant difference between male and female for "Psychological Factors" as a factor affecting investment decision

H₉: There is no significant difference between male and female for "Information" as a factor affecting investment decision

H₁₀: There is no significant difference between male and female for "Future Oriented Objective" as a factor affecting investment decision

RESULT AND DISCUSSIONS

From table 1.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.82 and 32.35% were female having mean 3.83, which states that both male and female were having almost same perception towards Economic Environment factors while taking decision for investment. On applying t-test, from table 1.2, it has been found that estimated p-value was 0.92 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Economic and Environment factors for investment.

From table 2.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.606 and 32.35% were female having mean 3.4408, which states that males had larger effect of this factor on their investment decision than female. On applying t-test, from table 2.2, it has been found that estimated p-value was 0.159 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Behavioural factors for investment.

From table 3.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.7101 and 32.35% were female having mean 3.5657, which states that males had larger effect of this factor on their investment decision than female. On applying t-test, from table 1.2, it has been found that estimated p-value was 0.343 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Leading Economic factors for investment.

From table 4.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.9420 and 32.35% were female having mean 3.848, which states that males have slight more effect of Return than females while taking decision for investment. On applying t-test, from table 4.2, it has been found that estimated p-value was 0.3931 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering RETURN as a factor for investment.

From table 5.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.768 and 32.35% were female having mean 3.5303, which states that males had larger effect of this factor on their investment decision than female while taking decision for investment. On applying t-test, from table 5.2, it has been found that estimated p-value was 0.0847 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Risk as a factor for investment.

From table 6.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.38 and 32.35% were female having mean 3.36, which states that both male and female were having almost same perception towards Social And Ethical Factors while taking decision for investment. On applying t-test, from table 1.2, it has been found that estimated p-value was 0.888 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Social And Ethical Factors for investment.

From table 7.1, it is clear that out of 102 respondents, 67.64% were male having mean of 4.1232 and 32.35% were female having mean 3.8687, which states that males had larger effect of this factor on their investment decision than female.

On applying t-test, from table 7.2, it has been found that estimated p-value was 0.0193 which is lower than critical p-value i.e. 0.05 which states that null hypothesis was rejected at 5% significance level and therefore it can be concluded that there is significant difference between male and female while considering Financial

Expectation for investment.

From table 8.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.5362 and 32.35% were female having mean 3.0303, which states that males had larger effect of this factor on their investment decision than female. On applying t-test, from table 8.2, it has been found that estimated p-value was 0.0047 which is lower than critical p-value i.e. 0.05 which states that null hypothesis was rejected at 5% significance level and therefore it can be concluded that there is significant difference between male and female while considering Psychological Factors for investment.

From table 9.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.6377 and 32.35% were female having mean 3.4646, which states that males had larger effect of this factor on their investment decision than female. On applying t-test, from table 9.2, it has been found that estimated p-value was 0.22917 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Mental Calculation as a factor for investment

From table 10.1, it is clear that out of 102 respondents, 67.64% were male having mean of 3.4601 and 32.35% were female having mean 3.2348, which states that males had larger effect of this factor on their investment decision than female. On applying t-test, from table 10.2, it has been found that estimated p-value was 0.111 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Information as a factor for investment.

From table 11.1, it is clear that out of 102 respondents, 67.64% were male having mean of 4.1353 and 32.35% were female having mean 4.0404, which states that males had larger effect of this factor on their investment decision than female. On applying t-test, from table 11.2, it has been found that estimated p-value was 0.39106 which is higher than critical p-value i.e. 0.05 which states that null hypothesis was accepted at 5% significance level and therefore it can be concluded that there is no significant difference between male and female while considering Future Oriented Objective as a factor for investment.

CONCLUSION

Investment decision process is considered critical decision for every investor, as it involves high risk and the returns are not certain. Among those the most influencing factors are identified. This study has significance for the individual investors, financial advisors, companies listed in Stock exchanges, mutual funds companies and Government. For the investors, the factors that influence their decision making are crucial as this will influence their financial plans of future. For companies identification of the most influencing factors that influence the behaviour of their investor will affect their future strategies and plans. For financial advisors identification of these factors will help them to suggest investments that best fits them. And finally for the government, identification of the most influencing factors will help it to modify required legislation and other procedures that are needed for satisfying the desires of investors and also giving more support to the market efficiency.

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ANNEXURE:

1) ECONOMIC ENVIRONMENT FACTORS

T-TEST (GENDER)

Table 1.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
AvgEconEnv	Male	69	3.8290	.57269	.06894
	Female	33	3.8394	.54655	.09514

Table 1.2 : Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
AvgEconEnv	Equal variances assumed							0.11946674
	Equal variances not assumed			-0.08859	65.88169	0.92968	-0.0104084	0.11749504

2) BEHAVIORAL FACTORS

T-Test (Gender)

Table 2.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
AvgBehavFcat	Male	69	3.6061	.60053	.07230
	Female	33	3.4408	.52279	.09101

Table 2.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
AvgBehavFcat	Equal variances assumed							0.122078698
	Equal variances not assumed			1.4221275	71.69656	0.1593252	0.165289256	0.116226748

3) LEADING ECONOMIC FACTORS

t-TEST (Gender)

Table 3.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
Leading Eco Factor	Male	69	3.7101	.70691	.08510
	Female	33	3.5657	.71921	.12520

Table 3.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Leading Eco Factor	Equal variances assumed							0.150454
	Equal variances not assumed			0.95446	62.157	0.34355	0.1444884	0.15138

4) RETURN

T-TEST (GENDER)

Table 4.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
Return	Male	69	3.9420	.55190	.06644
	Female	33	3.8485	.49540	.08624

Table 4.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Return	Equal variances assumed							0.1131212
	Equal variances not assumed			0.85927	69.70587	0.39314	0.0935441	0.1088646

5) RISK

T-TEST (GENDER)

Table 5.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
Risk	Male	69	3.7681	.64373	.07750
	Female	33	3.5303	.64071	.11153

Table 5.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Risk	Equal variances assumed							0.136042
	Equal variances not assumed			1.75102	63.40242	0.08478	0.2378129	0.13581398

6) SOCIAL & ETHICAL

T-TEST (GENDER)

Table 6.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
SocialNETHical	Male	69	3.3855	.72544	.08733
	Female	33	3.3636	.73392	.12776

Table 6.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Social & Ethical	Equal variances assumed							0.15411542
	Equal variances not assumed			0.14133	62.47313	0.88807	0.0218709	0.1547554

7) FINANCIAL EXPECTATION

T-TEST (GENDER)

Table 7.1

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Financial Expectation	Male	69	4.1232	.46235	.05566
	Female	33	3.8687	.51666	.08994

Table 7.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
FinancialExpectatio	Equal variances assumed							0.10167652
	Equal variances not assumed			2.40619	57.25353	0.01937	0.2545015	0.1057695

8) PSYCHOLOGICALFACT

T-TEST (GENDER)

Table 8.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
Psychologicalfact	Male	69	3.5362	.72585	.08738
	Female	33	3.0303	.85132	.14820

Table 8.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Psychological fact	Equal variances assumed							0.16259637
	Equal variances not assumed			2.94077	54.99094	0.00478	0.5059289	0.17203957

9) INFORMATION

Table 9.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
Information	Male	69	3.4601	.71051	.08554
	Female	33	3.2348	.63412	.11039

Table 9.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Information	Equal variances assumed							0.14540122
	Equal variances not assumed			1.61333	70.07535	0.11117	0.2252964	0.13964713

10) FUTURE ORIENTED

T-TEST (GENDER)

Table 10.1

Group Statistics					
	Genderres	N	Mean	Std. Deviation	Std. Error Mean
FutureOriented	Male	69	4.1353	.58667	.07063
	Female	33	4.0404	.48418	.08428

Table 10.2

		Levene's Test for Equality of Variances		t-test for Equality of Means				
			Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Future Oriented	Equal variances assumed							0.11766277
	Equal variances not assumed			0.86266	75.25535	0.39106	0.0948617	0.1099635